Your Preferred Source for
IT Acquisition Across the DoD

Commercial Software Licensing - DoD ESI and Software Category Management

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DoD ESI Co-Chair

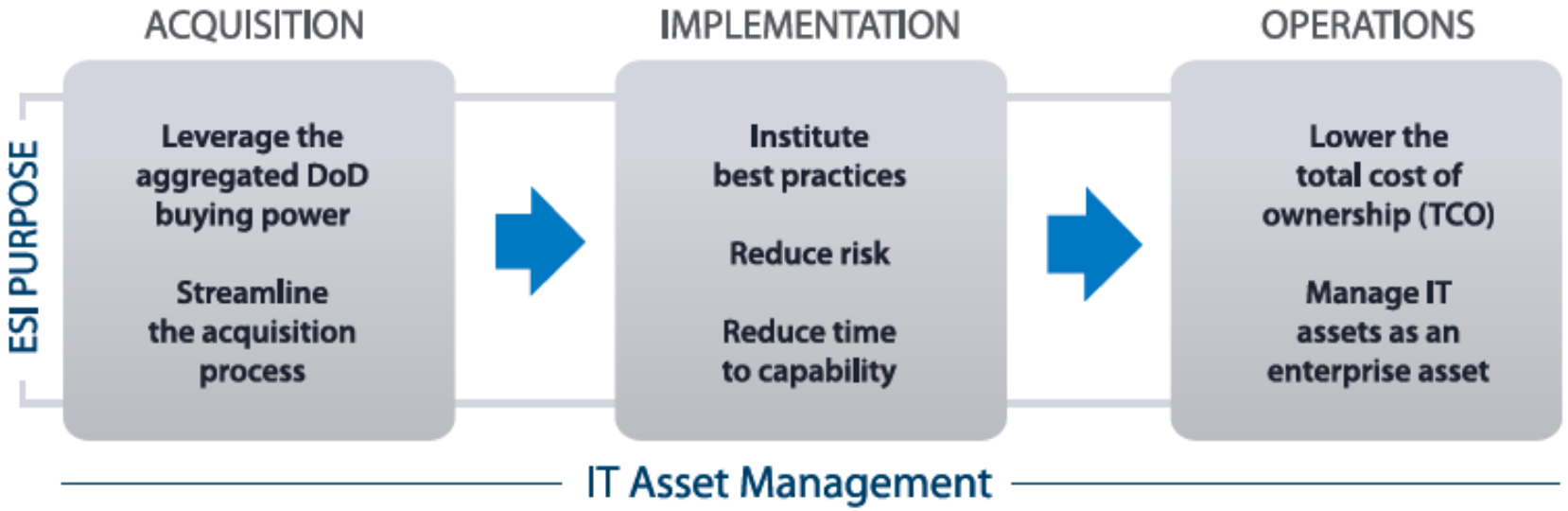
Agenda

- DoD ESI Background
- What's Coming – Statute, Policy, and Process Changes
- DoD ESI Commercial Software Licensing Training
- Overview of Strategic Vendor Management
- Overview of License Agreements
- DoD ESI Working Group Members
- Questions
- Back Up Slides

DoD ESI Background

What is DoD ESI?

- **Joint initiative to save time and money on acquisition of commercial software, IT hardware, and services**
- **Executive Sponsor: DoD CIO**
- **Goals**
  - **Save time, effort, and money**
  - **Target DoD Customer Needs and Efficiencies**
  - **IT Asset Management**



What is DoD ESI?

- **Team Composition:**
  - **Army, DON, Air Force, DLA, DISA, OSD**
- **Operations:**
  - **Award enterprise agreements for IT products and services**
  - **Implement unified vendor, strategic sourcing and contract management strategy with leading IT vendors**
  - **Use an agile, low overhead model executed through Software Product Managers (SPMs) in four DoD Components**
  - **Work closely with OMB and GSA to optimize IT acquisition policy and implement IT Category Management within DoD**
- **Results:**
  - **Over 50 ESI agreements representing approximately 30 OEM publishers**
  - **Over $6 billion cost avoidance since inception**
  - **Improved IT asset visibility of DoD ESI suppliers**
  - **More efficient acquisition processes for ESA users**

DoD ESI - Providing Value to the Enterp

What's Coming – Statute, Policy, and Process Changes

Legislative - Expect Continuation of Legislative Interest

- **NDAA 2013**
  - **Section 937, "Software Licenses of the Department of Defense"**
  - **Mandates DoD CIO, in consultation with Military Department and Agency CIOs, plan and develop inventory of selected software**
- **NDAA 2014**
  - **Section 935 – "Additional Requirements Relating to the Software Licenses of the Department of Defense"**
  - **Mandates inventory of every software title on which a Military Department spends $5 million or more in a year**
  - **DoD CIO Response to Congress signed January 14, 2016**
- **NDAA 2015**
  - **Creates new Under Secretary of Defense for Business Management and Information**
  - **Federal Information Technology Acquisition Reform**
    - **Section 831. Chief Information Officer Authority Enhancements**
    - **Section 836. Maximizing the Benefit of the Federal Strategic Sourcing Initiative**
    - **Section 837. Government-wide Software Purchasing Program**

Legislative - Expect Continuation of Legislative Interest

- **MEGABYTE Act of 2016 – Requires CIOs to:**
  - **Identify clear roles, responsibilities, and central oversight authority for managing enterprise software license agreements and commercial software licenses**
  - **Establish a comprehensive inventory, including 80 percent of software license spending and enterprise licenses**
  - **Regularly track and maintain software licenses**
  - **Analyze software usage and other data to make cost-effective decisions;**
  - **Provide training relevant to software license management;**
  - **Establish goals and objectives of the software license management program;**
  - **Consider the software license management life cycle phases, including the requisition, reception, deployment and maintenance, retirement, and disposal phases;**
  - **Submit a report yearly on the financial savings or avoidance of spending that resulted from improved software license management**

Office of Management and Budget (OMB)

- **OFPP Memo of 2 Dec 2014, "Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings**
- **OMB Memo M-15-14 of June 10, 2015, Management and Oversight of Federal Information Technology**

Federal Category Management

- **Category Management Leadership Council (CMLC)**
- **OMB Memo M-16-02, Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops**
  - **Workstation Category Team (WCT)**
- **Category Management Policy 16-1: Improving the Acquisition and Management of Common Information Technology: Software Licensing**
  - **Enterprise Software Category Team (ESCT)**
- **Category Management Policy 16-3: Improving the Acquisition and Management of Common Information Technology: Mobile Devices and Services**
  - **Mobile Services Category Team (MSCT)**
- **Common Acquisition Platform (CAP) / Acquisition Gateway**
  - **IT Hardware Hallway**
  - **Software Hallway**

IT Category Management

- **Program management implemented across the sub-categories**
- **Implementation of the performance management dashboards to show agency compliance**
- **Establish benchmarks across sub-categories using prices paid data**

Hardware Sub-Category (OMB Policy 16-02)	
Workstation Category Team (WCT)	• Review and update laptop and desktop configurations • Secure volume commitment from Agencies to an aggregated buying event(s) • Introduce demand management processes to optimize price and performance • Replacement of existing desktop vehicles to optimize the acquisition of the Federal marketplace
Enterprise Software Sub-Category (OMB Policy M-16-12)	
Enterprise Software Category Team (ESCT)	• Establish 2 Government-wide enterprise software agreements by end of 2016 • Identify and evaluate the best in class software agreements • Establish supplier relationship management with the key OEM and channel suppliers • Adapt the ESI model to address areas such as software asset management, training, acquisition processes and procedures
Telecommunications (Mobile) Sub-Category (OMB Policy M-16-20)	
Mobile Services Category Team (MSCT)	• Baseline Agency utilization for devices and services to assess potential short term benefits • Develop a supplier management Government-wide strategy with the major supplier and ensure access to relevant management information • Develop a Government-wide acquisition strategy. • Introduce a new set of demand management policies and procedures

Department of Defense Regulation and Policy

- **DFARS 208.74 – Enterprise Software Agreements**
- **DFARS 239.101 – Policy**
- **DFARS 239.76 – Cloud Computing**
- **DoDI 5000.02 – Operation of the Defense Acquisition System**
- **DoDI 5000.74, Defense Acquisition of Services**
- **DoD CIO Memo on Use of Enterprise IT Business Case Analyses dated 23 Oct 2014**

Software and IT Cost Integrated Process Team (IPT)

- **Mission - Build coalitions with government, industry, academia to exchange cost data, lessons learned, best practices concerning Software and Information Technology cost estimation**
- **Augment cost data reporting practices and policies for Major Automated Information Systems**
- **Standardize software cost data definitions reported in Contract Data Reporting Listing (CDRL) requirements**
- **Improve ability to efficiently host, share and request contractor data between Government agencies**
- **Cost data sharing among contractor and government sources**
- **Exploit opportunities to engage and potential for substantive mutual areas for improvement**
- **Collaborate with Industry and Academia for the development of open-source Cost Estimating Relationships, benchmarks, etc.**

Software and IT Cost IPT (Cont'd) - Focus Areas

Software

Cost Estimation Best Practices

Schedule Estimation Measures

Early Phase Agile Cost Measures

Early Phase Size Measurements

Quantifying Cyber Security

equirements and Cost Measures

COTS Integration Cost Measures

Data Collection Best Practices

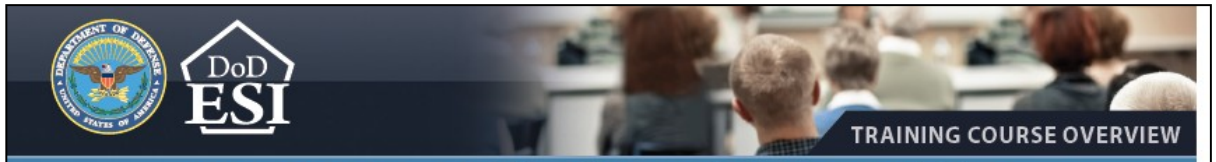
Open Source Cost Models

Information Technology

- ❑ IT Cost Measures and Benchmarks for Enterprise Resource Planning
- ❑ Early phase IT Implementations
- ❑ Cloud services – SaaS, PaaS, IaaS
- ❑ Help Desk
- ❑ System Administration
- ❑ Data Center Consolidation
- ❑ Network Consolidation
- ❑ Data Cleansing
- ❑ Data Migration
- ❑ IT Data Collection Best Practices
- ❑ Early Phase Cost Measures

DoD ESI Commercial Software Licensing Training

DoD ESI Training Approach



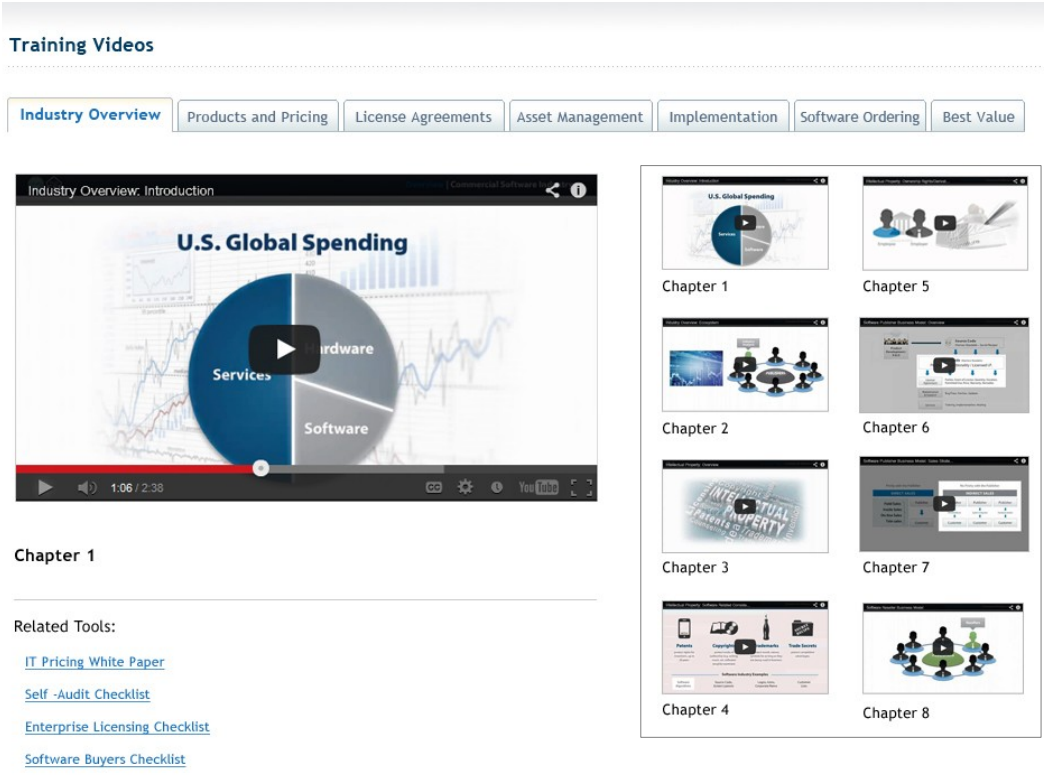
DoD ESI Commercial Software License Acquisition

Throughout the government, program teams need assistance and expertise negotiating software license agreements. This two day session offers training and tools to review and negotiate software license and maintenance agreements and End User License Agreements (EULA). The participants of this session will acquire the initial skills needed to resolve conflicting terms and conditions / licensing issues and achieve effective negotiations skills to support the government's mission.

The first day provides a broad overview of the IT industry and general concepts necessary for license negotiations. The second day provides a much greater level of detail and concentration on a topic selected by the DoD or component training leadership in advance.

Group / Segments	Content
Classes are tailored to fit with a person's experience level and area of responsibility.	Course content is modular so material can be selected for the unique needs of a class or an individual.
Basic Level Courses	
• Anyone who is new to Commercial Software Licensing • Purchase Card Holders • Anyone who wants or needs exposure to commercial software licensing best practices or ESI	• Industry Overview • Publisher Business Model • Reseller Business Model • Intellectual Property • Derivative Works • Products and Services • Pricing • Contracts / Agreements • Market Research See descriptions below.
Specialized / Advanced Courses / Workshops	

DoD ESI Tools: eLearning Tutorials (In process)



Up to 8 Modules per Chapter

- Industry Overview
- Products & Pricing
- License Agreements
- Asset Management
- Implementation
- Ordering
- Best Value
- EULAs
- And More…

DoD ESI Tools: HTML Toolkits and Software Buyer's Checklist

Best Value Toolkit

DoD ESI Home
DoD ESI
Home
Overview
How to Use
Rapid Assessment
Best Value Roadmap
Tools Library
Best Value Toolkit
Commercial Software Acquisition
Rapid Assessment
Best Value Roadmap
Total Cost of Ownership (TCO)
REQUIREMENTS / FIT
PRICE
TERMS & CONDITIONS
This toolkit represents the commercial best practices combined with DoD ESI's many years of experience in commercial software acquisition in the DoD. It has been designed for use in a variety of situations - use as appropriate and customize its tools to fit your situation.
Best value can be achieve
Acquire solutions that best fit
Receive the best price, all fact
Secure the best terms and cor

Software Buyer's Checklist

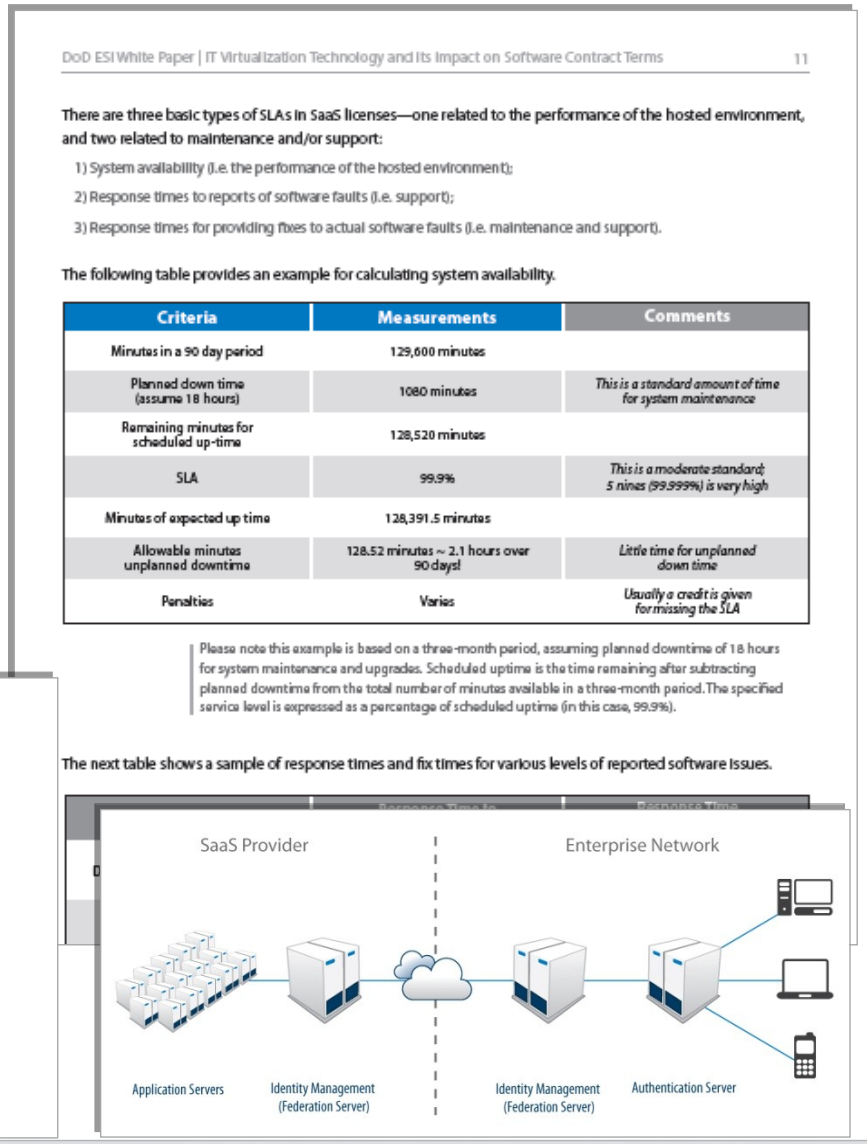
BPA Toolkit

SaaS Toolkit

DoD ESI
TOOLKIT
DoD ESI Home
Overview
Business Model
Implementation
Cost Analysis
Agreements
Glossary of Terms
Software as a Service (SaaS)
Deployment alternative to perpetual licensing
Welcome to the Software as a Service (SaaS) Toolkit.
The Department of Defense Enterprise Software Initiative (DoD ESI) developed this SaaS Toolkit to provide educational materials for the DoD IT acquisition and management community in an independent, unbiased manner. This toolkit provides access to decision-analysis tools and contract-related forms to streamline the process of understanding, evaluating and acquiring SaaS offerings through the DoD ESI.

DoD ESI Tools: White Papers

- **IT Virtualization Technology**
- **Cloud-Based Software Contracts**
- **Open Source Software**
- **Third Party Software**
- **Software Warranties**
- **Software Maintenance**
- **Service Level Agreements**



DoD ESI White Paper | IT Virtualization Technology and its Impact on Software Contract Terms 11

There are three basic types of SLAs in SaaS licenses—one related to the performance of the hosted environment, and two related to maintenance and/or support:

1) System availability (i.e. the performance of the hosted environment);

2) Response times to reports of software faults (i.e. support);

3) Response times for providing fixes to actual software faults (i.e. maintenance and support).

The following table provides an example for calculating system availability.

Criteria	Measurements	Comments
Minutes in a 90 day period	129,600 minutes	
Planned down time (assume 18 hours)	1080 minutes	*This is a standard amount of time for system maintenance*
Remaining minutes for scheduled up-time	128,520 minutes	
SLA	99.9%	*This is a moderate standard; 5 nines (99.999%) is very high*
Minutes of expected up time	128,391.5 minutes	
Allowable minutes unplanned downtime	128.52 minutes ~ 2.1 hours over 90 days!	*Little time for unplanned down time*
Penalties	Varies	*Usually a credit is given for missing the SLA*

Please note this example is based on a three-month period, assuming planned downtime of 18 hours for system maintenance and upgrades. Scheduled uptime is the time remaining after subtracting planned downtime from the total number of minutes available in a three-month period. The specified service level is expressed as a percentage of scheduled uptime (in this case, 99.9%).

The next table shows a sample of response times and fix times for various levels of reported software issues.

DoD ESI White Paper

IT Virtualization Technology and its Impact on Software Contract Terms

Contractual protections to consider before taking advantage of popular virtualization technology solutions.

Training Information on DoD ESI Web Site

Please visit the following page on the ESI web site to:

- Register for ESI training
- Provide training feedback
- Request a consultation with an ESI Software Licensing SME
- Download training materials

http://www.esi.mil/ContentView.aspx?ID=395&type=2

Overview of Strategic Vendor Management

Federal agencies such as the DoD are faced with challenges in maximizing the value received from their strategic IT OEM vendors

TYPICAL VENDOR MANAGEMENT CHALLENGES

Lack of Enterprise Approach

- No common, unified "voice" representing the enterprise – set of fragmented relationships between customer groups and vendors (OEM and channel partners)
- Limited enterprise-level collaboration and joint innovation with the IT OEM vendor
- Significant variation in prices paid across the enterprise

Limited Visibility

- Limited visibility into enterprise-level spend and technology assets/deployments associated with an IT OEM vendor
- Challenges gaining insight into vendor performance across the enterprise
- Limited visibility into vendor, market, and technology insights, economics, and trends

Inefficiencies in Internal Planning

- Lack of enterprise-wide governance, demand planning / forecasting, and purchasing processes
- Lack of "right-sized", TCO-focused, and clearly defined requirements and specifications
- Incumbent IT OEM advantages and potential vendor lock-in leading to limited OEM competition
- Limited redeployment / re-use of current assets provided by the IT OEM vendor

These vendor management challenges lead to a number of risks for an agency that limit vendor effectiveness, the ability to create efficiencies, and the ability to actively manage total costs

The SVM approach helps agencies realize a number of end-state benefits

TARGETED END-STATE BENEFITS OF SVM-DRIVEN APPROACH

Maximized Savings

- Optimized vendor pricing and terms and conditions through enterprise vendor agreements
- Improved requirements definition and demand management
- Opportunities to introduce competition where it makes sense to further optimize pricing
- Operational efficiencies (reduced redundancies in managing vendors across the enterprise)

Maximized Performance and Innovation

- Improved vendor performance and enhanced relationship value:
  - Increased collaboration with vendors to better meet customer requirements and jointly reduce costs
  - Opportunities for joint innovation with vendors
  - Improved insights into vendor capabilities, trends, and technology roadmaps
  - Improved customer satisfaction with vendor-provided solutions

Enterprise Visibility

- Visibility into enterprise-level spend related to vendors and key commodities
- Visibility into asset inventories for better demand management
- Visibility into customer compliance with enterprise-level policies and agreements
- Visibility into vendor performance and customer satisfaction

Strategic Vendor Management (SVM) is a comprehensive enterprise approach to effectively managing a key IT vendor relationship

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

Strategic Vendor Analysis and Roadmap	Vendor Framework Development	Acquisition and Strategy Implementation Activity	Ongoing Management
Develop the full range of management strategies and opportunities related to the vendor	Engage vendor prior to acquisition to identify specific alternatives for enterprise agreements and general improvement	Implement the vendor management strategies including acquisition activities related to enterprise agreements	Establish and maintain internal & external performance management and overall vendor management processes

The SVM approach provides a structured process for defining an enterprise-level vendor relationship and effectively sustaining and managing that relationship through the IT lifecycle

A comprehensive assessment provides foundational visibility and insight to develop a broad range of strategies for cost reduction

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

Strategic Vendor Analysis and Roadmap → **Vendor Framework Development** → **Acquisition and Strategy Implementation Activity** → **Ongoing Management**

KEY ACTIVITIES

- Analyze historical demand signal and pricing
- Forecast future demand signal
- Conduct vendor / market research and analysis
- Identify and prioritize holistic vendor management and cost reduction strategies
- Develop IT vendor relationship roadmap
- Quantify strategy benefits

KEY OUTPUTS AND BENEFITS

- Increased Visibility: Unprecedented levels of spend and installed base visibility
- Market Intelligence: Deep understanding of the vendor, market, and technology with a focus on what it means to the agency
- Holistic Strategies: Identification of near-term and long-term strategies that goes well beyond enterprise agreements
- Key Enablers for Success: Identification of key enablers and success factors specific to the agency
- Agency Feasibility and Risks: Understanding of key environmental challenges and risks
- Total Savings Potential: Quantification of the total “size of the prize” with an OEM vendor

The 2nd step involves engaging with the OEM vendor to develop a pre-acquisition framework for what a relationship may look like

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

Strategic Vendor Analysis and Roadmap
Vendor Framework Development
Acquisition and Strategy Implementati on Activity
Ongoing Management

KEY ACTIVITIES

- Engage vendors to collaborate on ways to reduce costs
- Identify best practices in vendor agreement terms and conditions
- Build a framework that identifies opportunities to achieve efficiencies and drive down costs
- Define performance metrics and reporting requirements
- Develop strategy and objectives to take into execution
- Discuss and determine overall governance and relationship structure
- Work with vendor to define alternatives and ROMs

KEY OUTPUTS AND BENEFITS

- Detailed Vendor Understanding: Deep understanding of OEM vendor capabilities
- Vendor Collaboration: Identification of joint cost reduction and innovation opportunities with the OEM vendor
- Additional Value Potential: Identification of additional “value-add” capabilities that can be provided by the OEM vendor that are specific to the agency
- Agreement Alternatives and ROM Costs: Deep understanding of OEM vendor alternatives and ROMs to help better guide acquisition staff prior to contracting and negotiations
- Agency-specific Feasibility: Evaluation of the feasibility of the vendor alternatives within the agency-specific environment

Step 3 includes the development of acquisition documentation, negotiations, and other implementation activities

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

KEY ACTIVITIES

- Evaluate acquisition alternatives and validate requirements
- Negotiate with the specific IT vendors to achieve identified savings
- Conduct proposal cost analysis and evaluation
- Execute Government acquisition process
- Develop and execute associated policy and guidance
- Design and implement communications and change management plan

KEY OUTPUTS AND BENEFITS

- Detailed Alternatives Analysis: Deep dive analysis of acquisition alternatives and potential costs including recommendations for what makes the most sense for the agency
- Effective Negotiations: Negotiations strategy and tactical advice based on significant prior experience and success in working with the OEM vendor
- Communications and Change Management Focus: Heavy emphasis on collaboration, communications, and change management early and often that is specific to the agency environment and will help enable success

Step 4 ensures that the appropriate mechanisms are in place to sustain and manage the vendor relationship long-term

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

KEY ACTIVITIES

- Implement compliance, savings, and performance management processes
- Support and oversight for requirements definition, approval, and review processes
- Ongoing spend visibility/tracking through new vehicle(s) and vendor reporting
- Ongoing updates to vendor / market / technology intelligence
- Promote competition where applicable by removing incumbent advantages

KEY OUTPUTS AND BENEFITS

- Ongoing Visibility and Tracking: Comprehensive and custom-tailored spend, compliance, and savings tracking
- Vendor Performance Evaluation: Vendor scorecards to track vendor performance, status of the relationship, and delivery of value
- Optimization of Requirements: Implementation of key processes to ensure requirements and specifications are optimized
- Process Sustainability: Sustainable processes to ensure ongoing updates to spend visibility and vendor/market/technology intelligence

Overview of License Agreements

EULA Key Clauses / License Grant

License Grant	Pricing	Warranty	Maintenance	General Provisions

Core **License Grant** Elements

- Parties
- Authorized Users
- Requirements
- Geography
- Times of Conflict
- Product Names & Functions
- Language
- Duration
- Quantity
- Ownership & Use Rights
- Permitted Use
- Self Audit

EULA Key Clauses / Pricing

License Grant	Pricing	Warranty	Maintenance	General Provisions

Core **Pricing** Elements

- Financial Investment
- Metric
- Discount
- Key Terms
- Benchmarking

EULA Key Clauses / Warranty

License Grant	Pricing	Warranty	Maintenance	General Provisions

Core **Warranty** Elements

- What is Covered?
- Who is Covered?
- Timing
- Remedies

EULA Key Clauses / Maintenance

License Grant	Pricing	Warranty	Maintenance	General Provisions

Core **Maintenance** Elements

- Scope & Levels of Support
- Timing & Duration
- Rates
- Escalation

EULA Key Clauses / General Provisions

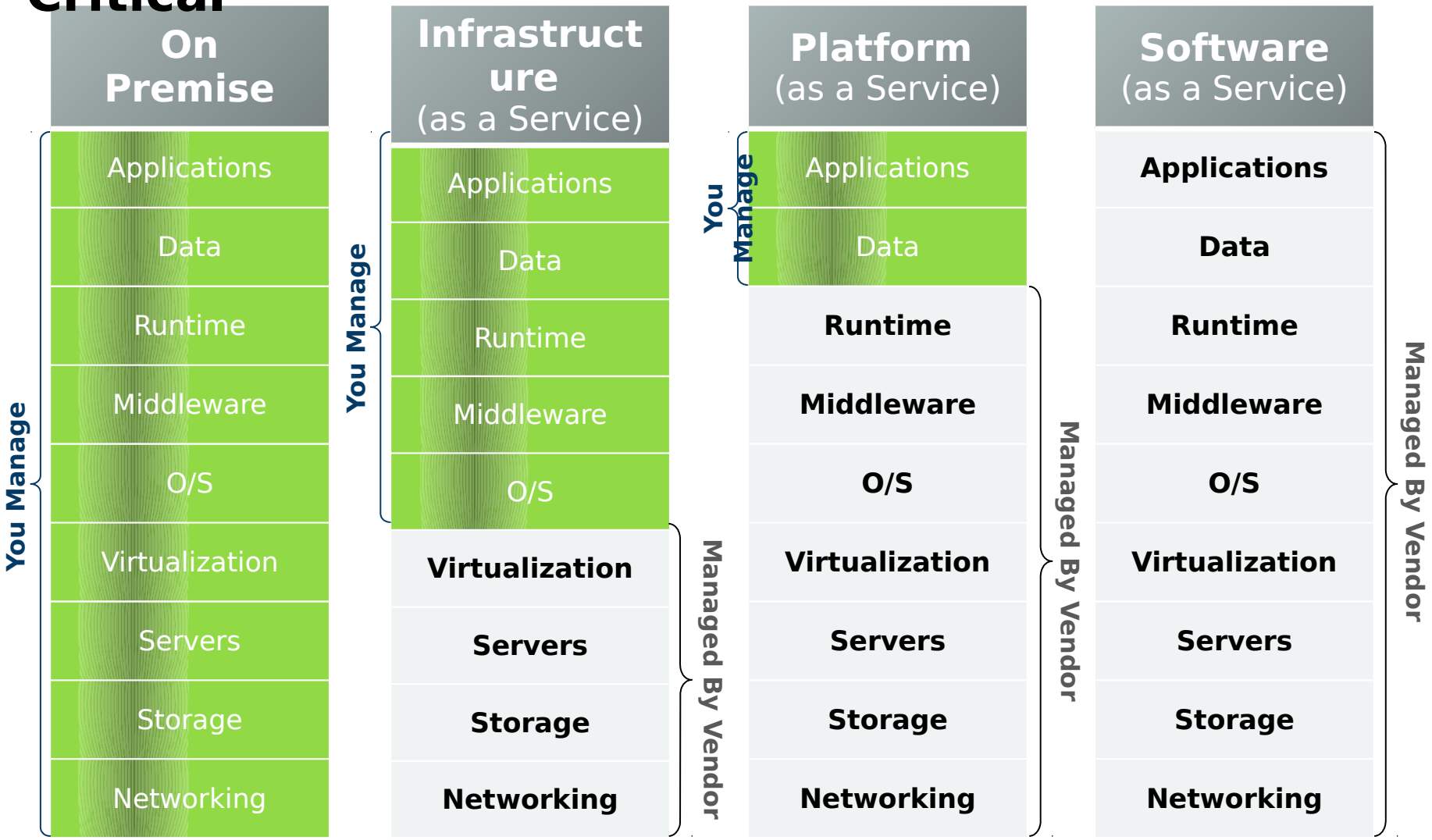
License Grant	Pricing	Warranty	Maintenance	General Provisions

Sample Clauses

- Order of Precedence
- Confidentiality
- Severability
- Term
- Termination
- Limitation of Liability
- Assignment
- Relationship of Parties
- Governing Law
- Dispute Resolution
- Integration

FAR and DFARS

The Cloud's Impact on Licensing – SLAs are Critical



Key Cloud/SaaS License Considerations

- **SLAs**
  - **Dependence on the Vendor makes SLA clauses extremely important**
  - **Ensure measureable performance standards for system up time and issue response are clear.**
- **Upgrades**
  - **If the timing of upgrades is important, include the right to delay upgrades at your discretion.**
- **Customizations**
  - **If you know customizations will be required, ensure there is a clause addressing your right to have customizations in your instance of the software.**
- **Some licenses claiming to be SaaS are not true SaaS applications.**
  - **One large software Publisher requires customers to download software instead of remotely accessing it – and they require system access for monitoring.**
- **Government funding might impact multi-year subscriptions.**
  - **What happens to your SaaS app if year 2 funding disappears?**

SLAs Are Critical for SaaS/Cloud

System Availability Example – 99.9%

Criteria	Measurement	Comments
Minutes in a 90 day period	**129,600 minutes**	
Planned down time (assume 18 hours)	**1080 minutes**	**This is a standard amount of time for system maintenance**
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Penalties	**Varies**	**Usually a credit is given for missing the SLA**

DoD ESI Working Group Members

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Questions

Office of Management and Budget (OMB)

- **OMB Memo M-16-02, Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops**
  - **Civilian agencies shall leverage NASA SEWP, GSA IT Schedule 70 or NIH NITAAC CIO-CS GWACs**
  - **Improve demand management practices**
  - **DoD will continue to execute its DoD ESI and will provide additional guidance to Components**
  - **DoD will post this information to the Acquisition Gateway**
  - **Does not apply to managed service contracts – but still must report terms, conditions and prices to the Acquisition Gateway**

Office of Management and Budget (OMB) (Cont'd)

- **OMB Memo M-16-01, Category Management Policy 15-1: Civilian agencies shall leverage NASA SEWP, GSA IT Schedule 70 or NIH NITAAC CIO-CS GWACs**
  - **Improve demand management practices**
  - **DoD will continue to execute its DoD ESI and will provide additional guidance to Components**
  - **DoD will post this information to the Acquisition Gateway**
  - **Does not apply to managed service contracts – but still must report terms, conditions and prices to the Acquisition Gateway**

Office of Management and Budget (OMB) (Cont'd)

- **OMB Memo M-16-21, Federal Source Code Policy: Achieving Efficiency, Transparency, and Innovation through Reusable and Open Source Software**
  - **Objectives:**
    - **Considerations that must be made prior to acquiring any custom-developed code;**
    - **Obtain appropriate Government data rights to custom-developed code, including at a minimum, rights to Government-wide reuse and rights to modify the code**
    - **Consider the value of publishing custom code as OSS**
    - **Establish requirements for releasing custom-developed source code**
    - **Provide instructions and resources to facilitate implementation of this policy.**
  - **Three-Step Software Solution Analysis:**
    - **Step 1 - Conduct Strategic Analysis and Analyze Alternatives**
    - **Step 2 - Consider Existing Commercial Solutions**
    - **Step 3 - Consider Custom Development**
  - **Factors to consider throughout each stage of the three-step analysis:**
    - **Hybrid Solutions: A mixture of existing Federal, commercial, and/or custom-developed solutions**
    - **Modular Architecture: Can reduce overall risk and cost while increasing interoperability and technical flexibility.**
    - **Cloud Computing: Evaluate safe and secure cloud computing options**
    - **Open Standards: Open standards enable software to be used by anyone at any time, and can spur innovation and growth regardless of the technology used for implementation-be it proprietary, mixed source, or OSS in nature.**
    - **Targeted Considerations: Must meet the operational and mission needs, taking into consideration factors such as performance, total life-cycle cost of ownership, security and privacy protections,**